

indulgent borrowers, though the private banking system clearly overextended itself. He rightly predicted that no major U.S. bank would be allowed to collapse simply for want of a debt-rescheduling agreement. The key questions were: What is the optimal degree of re-scheduling and who should bear the cost? The guiding principle must be: "Shared blame requires shared solutions". One wishes some of the other contributors to this volume had more fully absorbed Thirwall's good economic and common sense.

The outstanding empirical contribution, somewhat surprisingly, is a paper on "Multinationals from Developing Countries" by Sanjaya Lall. It draws most interestingly on his own research on Indian direct foreign investment (DFI), in comparison with such investment from Hong Kong, Argentina, Brazil, and other NICs. Lall puts his subject in perspective by pointing out that Third World foreign equity, estimated at about US\$10 billion, accounted for only 3 per cent of the total world stock of DFI, and that India's share was only 1 per cent of the Third World total. But the Indian case is particularly interesting because much of Indian DFI has been in relatively sophisticated manufacturing, in direct competition with MNCs from the industrial countries. It has been based on indigenous technology, the equity contribution consisting of exports of Indian plant and equipment. India's comparative advantage in this field derives from long-standing Indian government policy of forcing local firms to develop their own technology base, but the impetus to DFI has largely come from the high cost of production structure within India, infrastructural deficiencies, labour problems and stifling government regulations. "Technology exports and direct investment have appeared as a logical means of escape."

Other useful papers are Seiji Naya's overview of development finance in the ADB's area of jurisdiction, G. Maynard's discussion of international monetary reform proposals, a piece on Islamic banking which combines technical

proficiency with unashamed avowal of moral objectives, and a sober and sobering warning about Malaysia's balance of payments and external debt problems by R. Thillainathan.

H. W. ARNDT  
*Australian National University*

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***Foreign Investment and Industrialization in Indonesia.* By Hal Hill.** Singapore: Oxford University Press, 1988, Pp. 204.

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Being the third largest country in the Third World, it is not surprising that Indonesia has always attracted much research on development in various fields. This applies as well to issues such as foreign investment and industrialization being well documented in Hill's rich bibliography. Apart from the author's own motivations to write this book which are outlined in the Preface and the Introduction, another reason for a particular interest in this issue is the fact that so far Indonesia has somehow lagged behind other fast industrializing countries of the booming Southeast and East Asian region and has attracted less foreign investment (tables 3.7-3.10). Though manufacturing growth rates have been considerable since the more liberal government policies in the mid-sixties, gaps still prevail in terms of per capita income and manufacturing output (table 2.1). This may be due to a certain ambivalence and lack of continuity in government attitudes towards foreign investment in the past. In the early eighties, however, liberalizing reform programmes were initiated which among other things promote foreign investment and industrialization thereby accelerating manufacturing exports although this has happened only very recently. Unfortunately these developments came after Hill's final editing and it was too early to grasp results in terms of hard facts. Though the author refers to those reform measures he could not do more because this book

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concentrates on data (and their limits) and the conclusions which can be drawn therefrom.

Hill has chosen some key questions for his book. Referring to the long controversial public debate on the role foreign investment should play in Indonesia's development and to various changes of respective government policies he first asks: What would Indonesian manufacturing be like in the absence of foreign investment? This question, however, remains somehow rethoric because it is not answered in the book. On the other hand, the questions he actually addresses are as follows: How important a role have foreign investors played in the manufacturing sector? Are there any special characteristics in the industry distribution and (source) country composition of these investments? What has been the impact of the general policy environment on the costs and benefits of foreign investment? Are there arguments for major government reform?

To answer these questions on the basis of statistical evidence was apparently a rather difficult task. Though Hill is flattering when saying that economic statistics published in Indonesia have improved enormously during recent years he dedicates a special appendix to data limitations which make quite clear that the used statistics have to be interpreted with extreme caution as he himself did very explicitly.

The book has nine well balanced chapters which can be grouped into three parts. The first part consists of historical chapters on the colonial era and early independence and the industrial transformation from 1967 till 1985 which is the book's reference period. The second part gives a short description of the foreign investment policies (the New Regime after 1966) and gives some insights into major features of foreign investment in Indonesia including international comparisons. Two further chapters are devoted to the characteristics of major foreign investors and to the sectorial allocation of foreign investment in Indonesian manufacturing. The third part contains the analysis of factor proportions and ownership as well as of tech-

nology diffusion and the distribution of gains, and the importance of the policy environment. There is also a well written concluding chapter for the hasty reader.

The value of Hill's book lies in the fact that he succeeded to build on a sketchy data base a careful analysis of foreign investment and manufacturing performance during the period 1967-85. This will enormously help other scholars to find their way through the information jungle still prevailing in Indonesia and to work further on the book's results. Both economic research and efforts to improve the country's respective statistical system will benefit. The second value of the book is the analysis and assessment of government policies. Although he lines up with the "national and international liberalization community" he does not content himself to deal with the foreign investment law only, but emphasizes the many kinds of legislation and other policy measures which are related directly and indirectly to foreign investment and industrialization. A more competitive business environment linked with a strong supportive government and an open economy is the author's message.

Despite the merits of this book there could have been more analysis on issues such as privileges to foreign investors compared with domestic enterprises, political biases in favour of large-scale industrialization at the expense of small-scale enterprises' competitiveness, effects of foreign investment and overseas joint ventures on productive linkages with domestic industries via subcontracting, etc. These are admittedly highly complex questions the analysis of which would have likely gone beyond a reasonable book size. Nevertheless, they are of particular political relevance to any developing country—maybe Hill will tackle at least some of them when venturing again into the analysis of new trends in foreign investment and industrialization in Indonesia.

JÜRGEN RIEDEL

*IFO-Institut für Wirtschaftsforschung Munich*